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OC-M-74-370
2 July 1974

MEMORANDUM FOR: Executive Board Members

SUBJECT : OC Executive Board Agenda, 1300 Hours,
9 July 1974, OC Conference Room

I. DISCUSSION OF COST ATTRIBUTION SYSTEM FOR OC PROVIDED SERVICES.

D/CO Objective Number 1 (DDM&S Objective Number 2) under the Management by Objective (MBO) Program is to attribute costs of OC provided communications services to Agency user components and to other agencies. Decision is needed on two major points:

a. Selection of quantifiable, cost related activities within each of the six communications services and methods of applying cost factors to each of these activities.

b. Determination of the approach to be taken at the July DDM&S OMB Meeting in reporting progress and plans for accomplishing the cost attribution objective.

II. PROGRAM MANAGEMENT RESPONSIBILITIES.

Background material attached.

III. NATIONAL POLICY ON AUTHORIZING U.S. CONTRACTORS ACCESS TO CLASSIFIED FEDERAL TELECOMMUNICATIONS OR COMMUNICATIONS SECURITY MATERIAL.

25X1C Background material will be provided at the meeting.

25X1C IV. REPORT BY OC-E AND OC-O ON THE [REDACTED] STUDY.

25X1A At the 4 June meeting the OC-E [REDACTED] Report was reviewed. Following the discussion Mr. [REDACTED] asked for:

CL By 003231
E2 IMPDET

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25X1A a. A look into beefing up "minor relays" and
exploiting existing capabilities and,

25X1A b. Mr. [REDACTED] proposal for a [REDACTED]
in writing.

25X1A [REDACTED]

Secretary

Attachment
As Stated

Distribution:
1 - Each Executive Board Member

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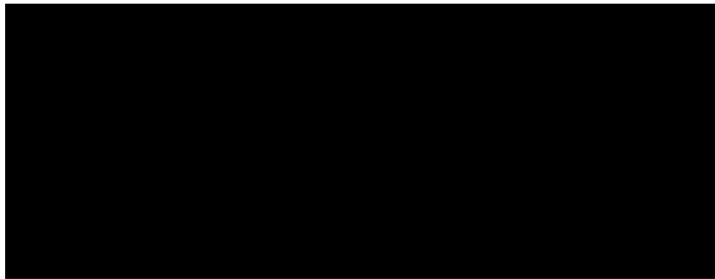
C O N F I D E N T I A L

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11 July 1974

Minutes of Executive
Board Meeting Number Eight
1300 Hours 9 July 1974

- 25X1A 1. The meeting convened with the following members present:



The undersigned attended in the capacity of Acting Secretary.

- 25X1A 2. COST ATTRIBUTION SYSTEM FOR OC PROVIDED SERVICES.
25X1A Mr. [REDACTED] opened the discussion by noting that the DCI has adopted cost attribution as a Fiscal Year 1975 Objective and that this might give us added time for establishing an OC system. Mr. [REDACTED] briefly reviewed developments to date. Chief, Operations has been established as the manager responsible for this Objective and has developed tentative costing methods for five of the six services provided by the Office. It was agreed that the systems developed to date would be impractical to administer and that more time was needed to select and implement a method to reflect truly comparative costs.

25X1A Mr. [REDACTED] then discussed three possible approaches to establishing a cost attribution system:

- a. Attributing the entire current year budget on a cost per unit basis for services provided,
- b. Amoritizing the fixed plant and attributing this cost and current costs to users and reserving as backbone costs some part of the budget and,
- c. Attributing "backbone" costs to OC as the system operator and attributing operating costs of providing service at each station and at Headquarters to users of the services.

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After considerable discussion alternative "c" was adopted as the best approach. It was recognized that this would involve a large proportion of the cost being attributed to CIA users as opposed to [REDACTED] other users; however, this is logical in that even if other users of the service were to get out of the network, we would have to continue operating the system for the Agency. It was agreed that Mr. [REDACTED] as Program Manager, would need to establish a new schedule for accomplishing the cost attribution objective during Fiscal Year 1975.

Mr. [REDACTED] then summarized the conclusions reached:

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a. The DDM&S will be advised at the MBO meeting scheduled for 22 July that we have developed cost attribution systems during Fiscal Year 1974, but that they appear to be unwieldy and impractical to administer. It will be proposed that refinement and implementation of OC cost attribution systems be undertaken during Fiscal Year 1975. Such rescheduling would place the Office accomplishment of this Objective in the same time frame as that of the majority of other Agency components.

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b. A new schedule and new milestones are required. Mr. [REDACTED] is responsible for developing the plan for achieving the cost attribution objective during Fiscal Year 1974.

3. PROGRAM MANAGEMENT RESPONSIBILITIES. At the 30 April Executive Board meeting, OC-P&B was asked to review OC's current program management responsibilities to see if OC could develop more consistency in this area. Mr. [REDACTED] presented the following recommendation in OCP-M-74-079 of 14 June 1974:

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The overseas areas are to budget for all maintenance contracts, renovations, repairs, paving, etc., which are performed by local (non U.S.) contractors and vendors. OC-E will have centralized responsibility for on-going support provided by U.S. contractors or by vendors and contractors providing goods and services in more than a single area. This OC-E responsibility particularly applies to any on-going support for major systems.

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[REDACTED] relationship to OC-E is the same as an overseas area's.

The Board adopted Mr. [REDACTED] recommendation.

25X1A 4. NATIONAL POLICY ON AUTHORIZING U.S. CONTRACTORS ACCESS
25X1A TO CLASSIFIED FEDERAL TELECOMMUNICATIONS OR COMMUNICATIONS SECURITY
25X1C MATERIAL. Mr. [REDACTED] handed out a draft of section proposed
for inclusion in Office of Communications Orders titled, "Use of
U.S. Contractors for Installation and Maintenance of Secure Tele-
communications Systems." Mr. [REDACTED] mentioned that the USCSB
has recently issued a paper which provides considerable policy
latitude for use of contractors. The purpose of including this
new section in the OC Orders is to provide policy guidance for
OC administration of contractors handling communications security
information. The Board approved issuance of the proposed sections
as a part of the OC Orders.

25X1A 5. REPORT BY OC-E AND OC-O ON THE [REDACTED] STUDY. Mr. [REDACTED]
reviewed briefly an OC-E proposal and cost estimate for beefing
up major relay stations and providing some "mini-relays" as a
25X1A protection against loss of a single major base station. The
proposal was based on an OC-O requirement to provide 100 percent
back-up which is not really required but which resulted in a cost
25X1A estimate of \$1,500,000. Mr. [REDACTED] stated that the cost could be
reduced to approximately one million dollars.

25X1C Mr. [REDACTED] then reviewed the proposal for building a [REDACTED]
25X1C [REDACTED] relay to provide the back-up capability. Taking into
consideration the equipment in stock earmarked for this approach
the final cost would be approximately one million dollars.

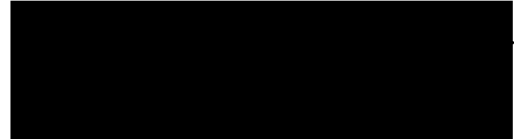
25X1C [REDACTED]

25X1A Mr. [REDACTED] then proposed an alternate approach to meeting
the major base station back-up requirement. His proposal called
for increasing the capabilities of existing base stations in
such a manner that if any one base became unusable the essential
workload could be transferred to the remaining bases. Operations
would re-study and re-define the requirement to something less
than 100 percent back-up. The funds required for this approach
would be \$475,000 in Fiscal Year 1975 and approximately the same
amount in Fiscal Year 1976. The Board approved the proposal.

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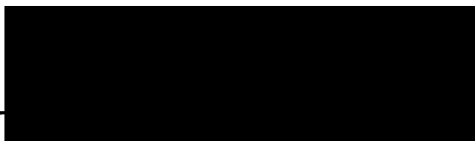
6. The agenda was completed and the meeting adjourned at 1500 hours.



Acting Secretary

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APPROVED:



Director of Communications

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July 11, 1974
Date

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